Agenda Item 5

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Legislation Committee DATE: October 3, 2008

FR: Deputy Executive Director, Operations

RE: FY 2008-09 State Budget

On September 23, 2008 Governor Schwarzenegger signed the latest budget in the state's history. Key provisions affecting Bay Area transportation are as follows:

Proposition 42 Fully Funded
Given the huge cutbacks in many state programs, the full funding of Proposition 42 can be credited to Proposition 1A, passed in November 2006, which requires any suspension of Proposition 42 to be repaid with interest within three years. Both the Legislature and the Administration sought to avoid actions that would make matters considerably worse in future years. Proposition 42, funded by a portion of the sales tax on gasoline, is estimated to provide $1.43 billion statewide this year. Bay Area cities and counties will receive just over $100 million for local street and road repairs from Proposition 42. For a complete breakdown of the street and road funding from Proposition 42 for each Bay Area jurisdiction, see Attachment A.

Record Amount of Public Transit Funds Diverted
Public transit funds were diverted at unprecedented levels in the FY 2008-09 budget. While last year's budget set the record with $1.3 billion in diverted Public Transportation Account (PTA) funds, this year the total was even higher at $1.67 billion. The diversion is primarily due to record gasoline prices that drove up the Spillover — a mechanism that is triggered when gasoline prices grow at a faster rate than the overall economy. The final estimate of the spillover for FY 2008-09 is $1.43 billion.

Whereas state law previously required all spillover funds to be deposited in the PTA for transit purposes, last year the Legislature modified the law to allow 50 percent of spillover funds to be diverted to the General Fund for transit-related expenditures. This deal was considered a compromise that would at least ensure that transit received a predictable share of the spillover in the future. However, in the FY 2008-09 budget the Legislature redirected 100 percent of spillover funds, along with another $239 million in what is referred to as "base" PTA funding. The final diversions included: $857 million to the General Fund for transportation related general obligation bond debt, $589 million to the General Fund for Home-to-School transportation, $138 million to the Department of Developmental Services for regional center transportation and $83 million to reimburse the General Fund for repayment of a prior loan from Proposition 42 transit funds to the General Fund.

The final amount contained in the budget approved by the Legislature was $406 million, but the Governor blue-penciled this by another $100 million to $306 million using his line-item veto authority. For the Bay Area, the budget provides approximately $112 million in STA funds, including $81 million in revenue-based funds and $31 million in population-based funds. Statewide, the budget diverts $663 million in STA funds relative to current law, $238 million of which would have come to the Bay Area. Attachment B details the final STA amounts by operator, including a comparison of the amount provided in the final budget and what should have been provided under current law.

Over $4 Billion in Proposition 1B Funds Appropriated
In total, almost $4.3 billion of Proposition 1B bond funds were allocated in the budget, including the first allocation of $200 million for the State Local Partnership Program and $413 million for the Trade Corridor Improvement Fund. For the specific appropriation amounts for each Proposition 1B program, as well as the transportation related accounts in Proposition 1C (the 2006 housing bond), see Attachment C.

Bay Area Scores 28 Percent of State Local Partnership Program Funds
In addition, AB 268, the transportation budget trailer bill, codified an agreement over the distribution of $1 billion in State Local Partnership Program funds made available by the Proposition 1B infrastructure bond. In our region, BART, AC Transit, the Bay Area Toll Authority, and the seven sales tax counties are expected to receive just under $270 million from this program designed to reward voter-approved self-help measures. The bill takes $50 million off the top for a competitive grant program to match funds generated by developer fees, and distributes the remainder by formula.

The final formula divides the funds into a northern and southern share on the basis of revenue generated, resulting in a current split of 38/62. From that point, funds generated by sales taxes in the north are distributed on the basis of county population back to the entity imposing the sales tax, while bridge tolls and transit parcel/property taxes are distributed in proportion to the amount of funds generated (on a "return to source" basis). The inclusion of bridge tolls and transit property taxes increased the Bay Area's share by $98 million or 36 percent. In Southern California, the funds are distributed entirely on the basis of population. See Attachment D for the specific amounts anticipated for each agency in the program overall, and for FY 2008-09 in particular. Note that as new voter-approved taxes or fees are approved statewide, these shares will change.

Ann Flemer